

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>City of Leslie</b>	County <b>Ingham</b>
Audit Date <b>6/30/05</b>	Opinion Date <b>8/24/05</b>	Date Accountant Report Submitted to State: <b>12/9/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed		
	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Willis &amp; Jurasek, P.C.</b>			
Street Address <b>2545 Spring Arbor Road</b>	City <b>Jackson</b>	State <b>MI</b>	ZIP <b>49203</b>
Accountant Signature <i>Willis &amp; Jurasek, P.C.</i>		Date <i>12/9/05</i>	

**City of Leslie**

Financial Statements  
And Independent Auditors' Report

Year Ended June 30, 2005

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## Independent Auditors' Report

Honorable Mayor and Members of the City Council  
City of Leslie  
Leslie, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Leslie as of and for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Leslie as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 24, 2005, on our consideration of the City's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The City of Leslie has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the financial statements.

The budgetary comparison information on pages 29-31 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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### **WILLIS & JURASEK, P.C.**

2545 Spring Arbor Road  
Post Office Box 39  
Jackson, Michigan 49204-0039

Honorable Mayor and Members of the City Council  
City of Leslie  
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Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the City of Leslie. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Willis & Jurasek, P.C.*  
Willis & Jurasek, P.C.,

August 24, 2005



**Reporting Based on an Audit of Financial Statements  
Performed in Accordance With  
Government Auditing Standards**

Honorable Mayor and Members of the City Council  
City of Leslie  
Leslie, Michigan

We have audited the financial statements of the City of Leslie as of and for the year ended June 30, 2005, and have issued our report thereon dated August 24, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City Of Leslie's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether the City of Leslie's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the City Council, management and State agencies, and is not intended to be and should not be used by anyone other than those specified.

*Willis & Jurasek, P.C.*

Willis & Jurasek, P.C.

August 24, 2005

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**WILLIS & JURASEK, P.C.**

2545 Spring Arbor Road  
Post Office Box 39  
Jackson, Michigan 49204-0039

**City of Leslie**  
**Statement of Net Assets**  
June 30, 2005

	Primary Government			Component Units		
	Governmental	Business-type	Total			
	Activities	Activities		LDFA	EDC	DDA
<b>Assets:</b>						
Cash and investments	\$ 1,376,990	\$ 409,127	\$ 1,786,117	\$ 621,844	\$ 107,356	\$ 88,954
Receivables	258,267	1,461	259,728	-	130,696	-
Internal balances	5,000	-	5,000	-	-	-
Prepaid expenses	20,509	5,183	25,692	-	-	-
Capital assets, net						
Not being depreciated	425,375	6,120	431,495	-	-	-
Being depreciated	<u>6,851,993</u>	<u>3,560,240</u>	<u>10,412,233</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>8,938,134</u>	<u>3,982,131</u>	<u>12,920,265</u>	<u>621,844</u>	<u>238,052</u>	<u>88,954</u>
<b>Liabilities:</b>						
Accounts payable	6,498	-	6,498	-	-	-
Accrued expenses	25,039	2,638	27,677	-	-	-
Accrued interest	15,558	2,904	18,462	-	-	-
Noncurrent liabilities:						
Due within one year	173,000	80,000	253,000	-	-	-
Due in more than one year	<u>1,579,000</u>	<u>615,000</u>	<u>2,194,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,799,095</u>	<u>700,542</u>	<u>2,499,637</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Assets:</b>						
Invested in capital assets, net of related debt	5,525,368	2,871,360	8,396,728	-	-	-
Restricted for:						
Debt service	344,789	-	344,789	-	-	-
Capital projects	24,179	-	24,179	-	-	-
Unrestricted	<u>1,244,703</u>	<u>410,229</u>	<u>1,654,932</u>	<u>621,844</u>	<u>238,052</u>	<u>88,954</u>
Total net assets	<u>\$ 7,139,039</u>	<u>\$ 3,281,589</u>	<u>10,420,628</u>	<u>\$ 621,844</u>	<u>\$ 238,052</u>	<u>\$ 88,954</u>

See Notes to Financial Statements.

**City of Leslie**  
Statement of Activities  
Year Ended June 30, 2005

Functions/Programs	Program Revenues				Net (Expenses) Revenues
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government</b>					
Governmental activities:					
General government	\$ 436,138	\$ 36,852	\$ 1,506	\$ -	\$ (397,780)
Public safety	352,704	20,504	36,227	-	(295,973)
Highways and streets	513,210	-	151,921	-	(361,289)
Culture and recreation	89,088	11,280	9,250	-	(68,558)
Interest on long-term debt	<u>103,503</u>	-	-	-	<u>(103,503)</u>
Total governmental activities	<u>1,494,643</u>	<u>68,636</u>	<u>198,904</u>	<u>-</u>	<u>(1,227,103)</u>
Business-type activities:					
Water and sewer	<u>577,025</u>	<u>613,629</u>	<u>-</u>	<u>-</u>	<u>36,604</u>
Total business-type activities	<u>577,025</u>	<u>613,629</u>	<u>-</u>	<u>-</u>	<u>36,604</u>
Total primary government	<u>\$ 2,071,668</u>	<u>\$ 682,265</u>	<u>\$ 198,904</u>	<u>\$ -</u>	<u>\$ (1,190,499)</u>
<b>Component units</b>					
LDFA	\$ 98,803	\$ -	\$ -	\$ -	\$ (98,803)
EDC	5,090	-	-	-	(5,090)
DDA	<u>30,857</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,857)</u>
Total component units	<u>\$ 134,750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (134,750)</u>

continued..



**City of Leslie**  
Statement of Activities (Continued)  
Year Ended June 30, 2005

	<u>Primary Government</u>					
	<u>Governmental</u>	<u>Business-</u> <u>Type</u>	<u>Total</u>	<u>Component Units</u>		
				<u>LDFA</u>	<u>EDC</u>	<u>DDA</u>
	<u>Activities</u>	<u>Activities</u>				
<b>Changes in Net Assets</b>						
Net (expense) revenue	\$ (1,227,103)	\$ 36,604	\$ (1,190,499)	\$ (98,803)	\$ (5,090)	\$ (30,857)
General revenues:						
Taxes and special assessments	593,601	-	593,601	322,738	-	92,150
Unrestricted grants and contributions	269,270	-	269,270	-	-	-
Interest and investment earnings	37,519	7,059	44,578	8,119	5,837	1,139
Other revenues	129,374	-	129,374	-	19	2,300
Transfers - internal activities	173,100	(35,800)	137,300	(120,861)	-	(16,439)
Total general revenues, contributions and transfers	1,202,864	(28,741)	1,174,123	209,996	5,856	79,150
<b>Changes in Net Assets</b>	(24,239)	7,863	(16,376)	111,193	766	48,293
<b>Net Assets - Beginning of Year</b>	7,163,278	3,273,726	10,437,004	510,651	237,286	40,661
<b>Net Assets - End of Year</b>	7,139,039	3,281,589	10,420,628	621,844	238,052	88,954

See Notes to Financial Statements.

**City of Leslie**  
Balance Sheet  
Governmental Funds  
June 30, 2005

	General	Major Street	1998 Street Obligation	1997 Street Obligation	Other Nonmajor Governmental Funds	Total
<b><u>Assets</u></b>						
Cash	\$ 340,566	\$ 213,542	\$ 35,691	\$ 115,797	\$ 355,656	\$ 1,061,252
Receivables:						
Special assessments	-	-	66,713	58,080	50,639	175,432
Due from other governmental units	58,261	18,415	-	-	6,159	82,835
Due from other funds	5,000	-	-	-	-	5,000
Prepaid expenditures	20,395	57	-	-	57	20,509
Total assets	<u>\$ 424,222</u>	<u>\$ 232,014</u>	<u>\$ 102,404</u>	<u>\$ 173,877</u>	<u>\$ 412,511</u>	<u>\$ 1,345,028</u>
<b><u>Liabilities and Fund Balances</u></b>						
Liabilities:						
Salaries payable	\$ 24,553	\$ -	\$ -	\$ -	\$ -	\$ 24,553
Accrued expenditures	-	165	-	-	145	310
Deferred revenue	-	-	66,713	58,080	50,639	175,432
Total liabilities	<u>24,553</u>	<u>165</u>	<u>66,713</u>	<u>58,080</u>	<u>50,784</u>	<u>200,295</u>
Fund Balances:						
Unreserved; undesignated	399,669	231,849	-	-	-	631,518
Unreserved; undesignated- reported in nonmajor:						
Special revenue funds	-	-	-	-	304,121	304,121
Debt service funds	-	-	35,691	115,797	33,427	184,915
Capital project funds	-	-	-	-	24,179	24,179
Total fund balances	<u>399,669</u>	<u>231,849</u>	<u>35,691</u>	<u>115,797</u>	<u>361,727</u>	<u>1,144,733</u>
Total liabilities and fund balances	<u>\$ 424,222</u>	<u>\$ 232,014</u>	<u>\$ 102,404</u>	<u>\$ 173,877</u>	<u>\$ 412,511</u>	<u>\$ 1,345,028</u>

## City of Leslie

### Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets June 30, 2005

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 1,144,733</b>
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Amounts reported for governmental activities in the Statement  
of Net Assets are different because:

Capital assets used in governmental activities are not financial  
resources and are not reported in the funds.

The cost of the capital assets is

\$ 10,914,498

Accumulated depreciation is

(3,777,325)

7,137,173

Because the focus of governmental funds is on short-term financing,  
some assets will not be available to pay for current-period expenditures.  
Those assets (such as certain receivables) are offset by deferred revenues  
in the governmental funds, and these are not included in fund balance.

Deferred special assessments

175,432

Internal service funds are used by management to charge the costs of certain  
equipment usage and administrative costs to individual governmental funds.  
The assets and liabilities of the internal service funds are included in governmental  
activities in the Statement of Net Assets.

Net assets of governmental activities accounted for in the internal service fund

449,259

Long-term liabilities not due and payable in the current period  
and not reported in the funds:

Bonds payable

(1,752,000)

Accrued interest

(15,558)

**Total Net Assets - Governmental Activities**

**\$ 7,139,039**

**City of Leslie**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2005

	<b>General</b>	<b>Major Street</b>	<b>1998 Street Obligation</b>	<b>1997 Street Obligation</b>	<b>Other Nonmajor Governmental Funds</b>	<b>Total</b>
<b>Revenues:</b>						
Taxes	\$ 482,408	\$ 26,960	\$ 8,576	\$ 18,389	\$ 95,243	\$ 631,576
Licenses and permits	537	-	-	-	-	537
Intergovernmental	305,497	113,848	-	-	38,073	457,418
Charges for services	26,724	-	-	-	20,504	47,228
Other	53,437	3,806	4,303	7,019	9,015	77,580
Reimbursements	67,345	-	-	-	-	67,345
Contributions	<u>44,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,000</u>
Total revenues	<u>979,948</u>	<u>144,614</u>	<u>12,879</u>	<u>25,408</u>	<u>162,835</u>	<u>1,325,684</u>
<b>Expenditures:</b>						
General government	428,277	1,771	-	-	652	430,700
Public safety	350,737	-	-	-	15,544	366,281
Highways and streets	108,293	137,188	-	-	152,262	397,743
Culture and recreation	70,423	-	-	-	-	70,423
Debt service:						
Principal payments	-	-	15,000	50,000	93,000	158,000
Interest and fiscal charges	-	-	8,153	27,663	70,485	106,301
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,313</u>	<u>5,313</u>
Total expenditures	<u>957,730</u>	<u>138,959</u>	<u>23,153</u>	<u>77,663</u>	<u>337,256</u>	<u>1,534,761</u>
<b>Revenues Over (Under) Expenditures</b>	<u>22,218</u>	<u>5,655</u>	<u>(10,274)</u>	<u>(52,255)</u>	<u>(174,421)</u>	<u>(209,077)</u>
<b>Other Financing Sources (Uses):</b>						
Operating transfers in	-	-	7,508	25,738	254,854	288,100
Operating transfers out	<u>(110,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(110,000)</u>
Total other financing sources (uses)	<u>(110,000)</u>	<u>-</u>	<u>7,508</u>	<u>25,738</u>	<u>254,854</u>	<u>178,100</u>
<b>Net Changes in Fund Balances</b>	<u>(87,782)</u>	<u>5,655</u>	<u>(2,766)</u>	<u>(26,517)</u>	<u>80,433</u>	<u>(30,977)</u>
<b>Fund Balances - Beginning of Year</b>	<u>487,451</u>	<u>226,194</u>	<u>38,457</u>	<u>142,314</u>	<u>281,294</u>	<u>1,175,710</u>
<b>Fund Balances - End of Year</b>	<u>\$ 399,669</u>	<u>\$ 231,849</u>	<u>\$ 35,691</u>	<u>\$ 115,797</u>	<u>\$ 361,727</u>	<u>\$ 1,144,733</u>

See Notes to Financial Statements.

**City of Leslie**  
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
Governmental Funds  
Year Ended June 30, 2005

**Net Change in Fund Balances - Total Governmental Funds** \$ (30,977)

Amounts reported for governmental activities in the Statement  
of Activities are different because:

Governmental funds report capital outlays as expenditures; in the  
Statement of Activities, these costs are allocated over their estimated  
useful lives as depreciation.

Depreciation expense	\$ (389,700)	
Capital outlay	<u>269,019</u>	(120,681)

Revenues in the Statement of Activities that do not provide current financial  
resources are not reported as revenues in the funds, but rather are deferred  
to the following fiscal year.

Current year deferred special assessments		(37,975)
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Bond proceeds are reported as financing sources in governmental funds  
and thus contribute to the change in fund balance. In the Statement of Net  
Assets, however, issuing debt increases long-term liabilities and does not  
affect the Statement of Activities. Similarly, repayment of principal is an  
expenditure in the governmental funds but reduces the liability in the  
Statement of Net Assets.

Repayment to bond holders		158,000
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An internal service fund is used by management to charge the costs of  
certain equipment usage to individual governmental funds. The net revenue  
(expense) of the fund attributable to those funds is reported with  
governmental activities.

Net operating income from governmental activities in the internal service fund		4,596
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Some expenses reported in the Statement of Activities do not require the use  
of current financial resources and therefore are not reported as expenditures  
in the funds.

Increase in accrued interest payable on bonds		<u>2,798</u>
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**Change in Net Assets of Governmental Activities** \$ (24,239)

**City of Leslie**  
Statement of Net Assets  
Proprietary Funds  
June 30, 2005

	<b>Enterprise Fund Water and Sewer Fund</b>	<b>Internal Service Fund Motor Vehicle Pool Fund</b>
<b>Assets</b>		
Current assets:		
Cash	\$ 409,127	\$ 315,738
Accounts receivable	1,461	-
Prepaid expenses	<u>5,183</u>	<u>-</u>
Total current assets	<u>415,771</u>	<u>315,738</u>
Property, plant and equipment:		
Land and improvements	6,120	-
Plant and equipment	<u>5,875,312</u>	<u>952,450</u>
	5,881,432	952,450
Less accumulated depreciation	<u>(2,315,072)</u>	<u>(812,254)</u>
Total property, plant and equipment	<u>3,566,360</u>	<u>140,196</u>
Total assets	<u>3,982,131</u>	<u>455,934</u>
<b>Liabilities:</b>		
Current liabilities (payable from current assets):		
Accounts payable	-	6,498
Accrued expenses	2,638	176
Current portion of bonds payable	80,000	-
Accrued interest	<u>2,904</u>	<u>-</u>
Total current liabilities (payable from current assets)	<u>85,542</u>	<u>6,674</u>
Noncurrent liabilities:		
Bonds payable	<u>615,000</u>	<u>-</u>
Total noncurrent liabilities	<u>615,000</u>	<u>-</u>
Total liabilities	<u>700,542</u>	<u>6,674</u>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	2,868,456	140,196
Unrestricted	<u>413,133</u>	<u>309,064</u>
Total net assets	<u>\$ 3,281,589</u>	<u>\$ 449,260</u>

**City of Leslie**  
Statement of Revenues, Expenses and  
Changes in Net Assets - Proprietary Funds  
Year Ended June 30, 2005

	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>
	<u>Water and Sewer Fund</u>	<u>Motor Vehicle Pool Fund</u>
<b>Operating Revenues:</b>		
Charges for services	\$ 580,544	\$ -
Rental income	4,572	119,093
Tap-in and turn-on fees	17,417	-
Penalties	<u>11,096</u>	<u>-</u>
Total operating revenues	613,629	119,093
<b>Operating Expenses</b>	<u>540,867</u>	<u>114,909</u>
<b>Operating Income</b>	<u>72,762</u>	<u>4,184</u>
<b>Non-Operating Revenues (Expenses):</b>		
Interest income	7,059	5,411
Interest expense	<u>(36,158)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>(29,099)</u>	<u>5,411</u>
<b>Net Income Before Transfers</b>	43,663	9,595
<b>Transfers Out to Other Funds</b>	<u>(35,800)</u>	<u>(5,000)</u>
<b>Net Income</b>	7,863	4,595
<b>Net Assets - Beginning of Year</b>	<u>3,273,726</u>	<u>444,665</u>
<b>Net Assets - End of Year</b>	<u>\$ 3,281,589</u>	<u>\$ 449,260</u>

**City of Leslie**  
Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2005

	<b>Enterprise Fund</b>	<b>Internal Service Fund</b>
	<b>Water and Sewer Fund</b>	<b>Motor Vehicle Pool Fund</b>
<b>Cash Flows From Operating Activities:</b>		
Operating income (loss)	\$ 72,762	\$ 4,184
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	113,214	55,796
Change in accounts receivable	(1,390)	-
Change in prepaid assets	(236)	-
Change in accounts payable	(752)	6,117
Change in accrued expenses	(9,305)	176
Net cash provided by (used in) operating activities	<u>174,293</u>	<u>66,273</u>
<b>Cash Flows From Noncapital Financing Activities:</b>		
Transfers to other funds	<u>(35,800)</u>	<u>(5,000)</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Bond payments on capital debt	(80,000)	-
Interest on capital debt	(36,158)	-
Proceeds from issuance of long-term debt	-	-
Purchase of capital assets	<u>(55,401)</u>	<u>(13,498)</u>
Net cash used by capital and related financing activities	<u>(171,559)</u>	<u>(13,498)</u>
<b>Cash Flows From Investing Activities:</b>		
Interest income received	<u>7,059</u>	<u>5,411</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(26,007)	53,186
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>435,134</u>	<u>262,552</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 409,127</u>	<u>\$ 315,738</u>

See Notes to Financial Statements.



**City of Leslie**  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2005

	<u>Agency Funds</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ <u>131,327</u>
<b>Liabilities:</b>	
Advance due other funds	\$ 5,000
Due to other agencies	<u>126,327</u>
 Total liabilities	 \$ <u>131,327</u>

See Notes to Financial Statements.

**City of Leslie**  
Notes to Financial Statements

**1. Summary of Significant Accounting Policies**

**Description of City Operations**

The City of Leslie, Michigan, was organized in 1968 and covers an area of approximately 1 square mile in Ingham County. The City operates under an elected Mayor and City Council (6 members) and provides services to its residents in many areas including law enforcement, administration of justice, community enrichment and development, and human services. The criteria established by Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financial relationships. Education services are provided through the local school system, which is a separate governmental entity and, therefore, is not represented in the financial statements included herein.

**Reporting Entity**

Generally accepted accounting principles require the reporting entity to include the City of Leslie (the primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government. These financial statements present the following component units:

**Discretely Presented Component Units**

Local Development Finance Fund (LDFA) - The Local Development Finance Fund was formed to help stimulate economic growth, improve employment and encourage new private investments in the City to be financed by increased property values in the industrial park.

Economic Development Fund (EDC) - The Economic Development Fund was formed to assist in the attraction, relocation, retention or expansion for businesses or organizations, which are desirable and beneficial to the City. The funds that are loaned to the businesses or organizations come from the Michigan Department of Commerce through the Small Cities Community Development Block Grant.

Downtown Development Fund (DDA) - The Downtown Development Fund was formed to enhance the City's business district by preservation, creation and implementation of the development plans in the district to be financed by taxes from properties within its district.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

**City of Leslie**  
Notes to Financial Statements

**1. Summary of Significant Accounting Policies (Continued)**

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**Government-Wide Statements** - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**Fund-Based Statements** - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

**City of Leslie**  
Notes to Financial Statements

**1. Summary of Significant Accounting Policies (Continued)**

The government reports the following major governmental funds:

**General Fund** – This fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Major Street Fund** – This fund is a special revenue fund. It accounts for revenues received primarily from the State of Michigan Department of Transportation and accounts for street activity relating to the major street functions of the City.

**1998 Street Obligation Debt Fund** – This fund is used to account for the accumulation of resources for and the payment of principal and interest on the 1998 Street Project.

**1997 Street Obligation Debt Fund** – This fund is used to account for the accumulation of resources for and the payment of principal and interest on the 1997 Street Project.

The government reports the following major proprietary funds:

**Water and Sewer Fund** – The Water and Sewer Fund accounts for the activities of the government's sewage collection and treatment systems and water production, purification, and distribution systems.

Additionally, the government reports the following fund types:

**Special Revenue Funds** – These funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects).

**Debt Service Fund** – Debt service funds are used to account for the accumulation of resources for and the payment of principal and interest on long-term general obligation debt of governmental funds.

**Capital Project Funds** – These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary and trust funds).

**Internal Service Funds** – The internal service funds account for operations that provide services (equipment rental) to other departments of the City on a cost-reimbursement basis.

**Agency Funds** – These fiduciary funds account for assets held for other governments in an agency capacity.

**Additional Financial Statement Presentation Information** - Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

**City of Leslie**  
Notes to Financial Statements

**1. Summary of Significant Accounting Policies (Continued)**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the electric, water and sewer enterprise funds and of the government's internal service fund are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**Deposits and Investments** – Cash and cash equivalents include cash on hand, demand deposits, and certificates of deposit.

The City reports its investments (when applicable) in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the City intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the City to invest in bonds, and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments.

Investments are reported at fair value.

**City of Leslie**  
Notes to Financial Statements

**1. Summary of Significant Accounting Policies (Continued)**

**Receivables and Payables** – All receivables are reported at their net value. They are reduced, where appropriate, by the estimated portion that is expected to be uncollectible.

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

**Prepaid Items** – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets** – Certain proceeds of the Enterprise Funds’ revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Also, certain resources have been set aside to fund capital asset replacements.

**Capital Assets** – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u><b>Assets</b></u>	<u><b>Years</b></u>
Buildings and improvements	50
Vehicles	5 - 12
Equipment	5 - 20
Infrastructure	15 - 50
Plant and systems	10 - 50

**City of Leslie**  
Notes to Financial Statements

**1. Summary of Significant Accounting Policies (Continued)**

**Compensated Absences** – It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation, sick and personal days are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if the obligation is expected to be liquidated from expendable available financial resources.

**Long-Term Obligations** – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Property Taxes** - The government's property taxes are levied each July 1 on the taxable valuation of property located in the City as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through September 30; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Ingham County.

Assessed values as established annually by the government, and subject to acceptance by the County, are equalized by the State at an estimated 50% of current market value. Real and personal property in the City for 2004 had a taxable value of approximately \$34,072,640 (not including properties subject to Industrial Facilities Tax exemption). The government's general operating tax rate for fiscal year 2004-05 was 18.2000 mills, with an additional .8000 mills levied for debt services.

Property taxes for the DDA and LDFA are derived from a tax increment financing agreement between the DDA and LDFA and other related taxing districts. Under this arrangement, the DDA and LDFA receive those property taxes levied on the increment of current taxable valuations (determined as of the preceding December 31, the lien date) over base year assessed valuations on certain property located in the City of Leslie, which are within the DDA and LDFA district. Property taxes are recognized in the fiscal year in which they are levied.

**City of Leslie**  
Notes to Financial Statements

**2. Stewardship, Compliance and Accountability**

The general and special revenue funds are the governmental fund types under formal budgetary control. The City adopts its budget in accordance with Public Act 621, the Uniform Budgeting and Accounting Act, which mandates an annual budget process and annual appropriation act to implement the budget.

- 1) A general, special revenue and debt service funds budget is presented to the City Council in March, at which time hearings on the budget are scheduled. A Public Hearing is held in May and a budget workshop may be held in March or April to give all elected officials the opportunity to discuss their budget with the Council.
- 2) The budget, and an appropriation ordinance implementing it, is then adopted in May.
- 3) Formal budget integration is employed as a management control device during the year for all funds.
- 4) Budgets presented for the general and special revenue funds were prepared on the modified cash basis of accounting. Encumbrances are not recorded at year end.
- 5) Expenditures may not legally exceed activity (department) totals in the general fund. All other special revenue funds cannot legally exceed their respective fund totals.
- 6) Budgets for the current year are carefully reviewed during the year for any revision of estimates. Proposed increases or reductions in appropriations are presented to the Board for their action. The legislative body amends the general appropriation act as soon as it becomes apparent this action is necessary.
- 7) The Governing Board has the authority to amend all budgets at the fund level through the appropriation ordinance. It further has the right to amend the general fund at the activity level if it desires. Management has no authority to amend budgets at the fund level. Management can do transfers within funds at the departmental level without Board approval but not between departments.
- 8) The budgetary information presented has been amended during the year by an official action of the City Council. The amendments were not significant in total.
- 9) All budget appropriations lapse at the end of each funds' fiscal year.

**3. Cash and Cash Equivalents**

To facilitate better management of the City's resources, cash is combined in a pooled operating account for much of the City's activity.

At year-end, the City's deposits were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Proprietary Funds</u>	<u>Total Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and investments	<u>\$ 1,376,990</u>	<u>\$ 409,127</u>	<u>\$ 1,786,117</u>	<u>\$ 818,154</u>	<u>\$ 131,327</u>	<u>\$ 2,735,598</u>



**City of Leslie**  
Notes to Financial Statements

**3. Cash and Cash Equivalents (Continued)**

The breakdown between deposits and investments for the City are as follows:

Deposits (checking and savings accounts, certificates of deposit)	\$ 2,436,194
MBIA Michigan Class investment funds (at fair value)	299,024
Petty cash and cash on hand	<u>380</u>
Total	<u>\$ 2,735,598</u>

**Investment and Deposit Risk**

**Credit Risk** – State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools. The City's investment policy does not have specific limits in excess of state law on investment credit risk. The City's investment in MBIA Michigan Class investment fund is not rated.

**Custodial Credit Risk – Deposits** – Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The City has not adopted and state law does not require a policy for deposit custodial credit risk. As of year end \$2,233,230 of the City's bank balance of \$2,533,230 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**4. Receivables**

Receivables of the governmental activities of the primary government at June 30, 2005, consist of the following:

Other governmental units (primarily the State of Michigan)	\$ 82,835
Special assessments	<u>175,432</u>
	<u>\$ 258,267</u>

**City of Leslie**  
Notes to Financial Statements

**5. Capital Assets**

Capital assets activity for the year ended June 30, 2005 was as follows:

<b>Primary Government</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals and Adjustments</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 425,375	\$ -	\$ -	\$ 425,375
Total capital assets not being depreciated	<u>425,375</u>	<u>-</u>	<u>-</u>	<u>425,375</u>
Capital assets being depreciated:				
Buildings and improvements	1,202,650	-	-	1,202,650
Equipment and vehicles	974,954	44,485	-	1,019,439
Infrastructure	<u>8,981,453</u>	<u>238,032</u>	<u>-</u>	<u>9,219,485</u>
Total capital assets being depreciated	<u>11,159,057</u>	<u>282,517</u>	<u>-</u>	<u>11,441,574</u>
Accumulated depreciation:				
Buildings and improvements	216,185	21,277	-	237,462
Equipment and vehicles	766,858	63,519	-	830,377
Infrastructure	<u>3,161,043</u>	<u>360,699</u>	<u>-</u>	<u>3,521,742</u>
Total accumulated depreciation	<u>4,144,086</u>	<u>445,495</u>	<u>-</u>	<u>4,589,581</u>
Total capital assets being depreciated - net	<u>7,014,971</u>	<u>(162,978)</u>	<u>-</u>	<u>6,851,993</u>
Governmental activities capital assets - net	<u>\$ 7,440,346</u>	<u>\$ (162,978)</u>	<u>\$ -</u>	<u>\$ 7,277,368</u>
<b>Business-Type Activities</b>				
Capital assets not being depreciated:				
Land	\$ 6,120	\$ -	-	\$ 6,120
Total capital assets not being depreciated	<u>6,120</u>	<u>-</u>	<u>-</u>	<u>6,120</u>
Capital assets being depreciated:				
Water system	1,653,228	55,400	200,000	1,508,628
Sewer system	4,006,185	200,000	-	4,206,185
Iron removal system	<u>160,498</u>	<u>-</u>	<u>-</u>	<u>160,498</u>
Total capital assets being depreciated	<u>5,819,911</u>	<u>255,400</u>	<u>200,000</u>	<u>5,875,311</u>
Accumulated depreciation	<u>2,201,858</u>	<u>113,213</u>	<u>-</u>	<u>2,315,071</u>
Total capital assets being depreciated - net	<u>3,618,053</u>	<u>142,187</u>	<u>200,000</u>	<u>3,560,240</u>
Business-type activities capital assets - net	<u>\$3,624,173</u>	<u>\$ 142,187</u>	<u>\$ 200,000</u>	<u>\$3,566,360</u>

**City of Leslie**  
Notes to Financial Statements

**5. Capital Assets (Continued)**

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	\$ 5,438
Public safety	12,098
Highways and streets	353,498
Culture and recreation	18,665
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	<u>55,796</u>
Total depreciation expense – governmental activities	<u>\$ 445,495</u>
Business-Type Activities:	
Sewer and Water	<u>\$ 113,213</u>

**6 Interfund Receivables, Payables and Transfers**

The City reports interfund balances between many of its funds. The sum of all balances presented in the tables below agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds and proprietary funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

	<u>Receivable</u>	<u>Payable</u>
<b>Due from/to other funds:</b>		
General Fund	\$ 5,000	\$ -
Fiduciary Fund	<u>-</u>	<u>5,000</u>
	<u>\$ 5,000</u>	<u>\$ 5,000</u>
	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Transfers:</b>		
General Fund	\$ -	\$ 110,000
Enterprise Fund	-	35,800
Internal Service Fund	-	5,000
1998 Street Obligation Debt	7,508	-
1997 Street Obligation Debt	25,738	-
Nonmajor Governmental Funds	254,854	-
Component Unit	<u>-</u>	<u>137,300</u>
	<u>\$ 288,100</u>	<u>\$ 288,100</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**City of Leslie**  
Notes to Financial Statements

**7. Long-Term Debt**

The City issues bonds to provide for the acquisition and construction of major capital facilities and special assessments for sidewalks and streets. General obligation bonds are direct obligations and pledge the full faith and credit of the City.

Governmental activities - long-term obligation activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds	<u>\$1,910,000</u>	<u>\$ -</u>	<u>\$ 158,000</u>	<u>\$1,752,000</u>	<u>\$ 173,000</u>

General obligation bonds currently outstanding are as follows:

The following is a summary of the general obligation debt outstanding of the City as of June 30, 2005:

	<u>Interest Rate</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>
1994 Sewer System Improvements	6.30 – 7.00	2013	\$ 295,000
1994 Sewer System Improvements	5.30 – 6.20	2013	240,000
1994 Street Improvements	5.20 – 5.55	2006	35,000
1997 Bellevue Street	5.00 – 7.00	2011	145,000
1997 Bellevue Street	5.00 – 5.60	2012	185,000
1997 Bellevue Street	5.00 – 5.55	2011	145,000
1998 Street Improvement	4.25 – 4.80	2012	110,000
1998 Street Improvement	4.25 – 4.80	2012	45,000
2000 Street Improvement	5.85 – 5.85	2011	35,000
2000 Streetscape	5.85 – 5.85	2011	27,000
2000 Streetscape	5.35 – 7.30	2016	220,000
2002 Fire Station	3.55 – 7.00	2016	<u>270,000</u>
			<u>\$ 1,752,000</u>

Annual debt service requirements to maturity on the above governmental bond obligations are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 173,000	\$ 93,894	\$ 266,894
2007	194,000	84,225	278,225
2008	179,000	74,259	253,259
2009	189,000	64,370	253,370
2010	199,000	53,815	252,815
2011-2015	728,000	107,767	835,767
2016	<u>90,000</u>	<u>4,665</u>	<u>94,665</u>
Total	<u>\$1,752,000</u>	<u>\$ 482,995</u>	<u>\$2,234,995</u>

**City of Leslie**  
Notes to Financial Statements

**7. Long-Term Debt (Continued)**

Enterprise activities - long-term obligation activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Business-Type Activities:					
Bonds	\$ <u>775,000</u>	\$ <u>-</u>	\$ <u>80,000</u>	\$ <u>695,000</u>	\$ <u>80,000</u>
	<u>Interest Rate</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>		
1992 Water Tower	6.80 - 8.75	2012	\$ 370,000		
1997 Bellevue Street	4.80 - 5.50	2011	<u>325,000</u>		
			\$ <u>695,000</u>		

Annual debt service requirements to maturity on the above governmental bond obligations are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 80,000	\$ 42,405	\$ 122,405
2007	85,000	37,685	122,685
2008	95,000	32,570	127,570
2009	100,000	26,810	126,810
2010	105,000	20,690	125,690
2011-2013	<u>230,000</u>	<u>21,695</u>	<u>251,695</u>
Total	\$ <u>695,000</u>	\$ <u>181,855</u>	\$ <u>876,855</u>

**8. Other Individual Fund Disclosures**

The Community Development Block Grant was established to account for Federal funds received under provisions of the Housing and Community Development Act of 1974.

The City established an EDC fund in fiscal year 1983 to collect loans made to area businesses under a Michigan Small Cities Block Grant. Principal repayments made by these businesses are shown as reimbursement to the EDC fund. The balance of these loans at June 30, 2005 that will be received by the EDC fund are as follows:

Modern Fur Dressing - Monthly payments of \$565 including interest at 5.0% per annum	\$ 2,791
Kathleen Stetler and Michael Walraven - Monthly payments of \$478 including interest at 5% per annum	34,332
Shari Burke – Monthly payments of \$400 including interest at 5% per annum	30,759
Pamela Secord – Monthly payments of \$593 including interest at 5% per annum.	<u>62,814</u>
Total	\$ <u>130,696</u>

**City of Leslie**  
Notes to Financial Statements

**9. Retirement System**

**Description of Plan and Plan Assets**

The City is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS), administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred referred retirement, service retirement allowance, disability retirement allowance, non-duty connected death and post-retirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the applicable percentage times the final average compensation (FAC) according to the various classifications within the City Departments with a maximum benefit of 80 percent of FAC. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2003.

MERS was organized pursuant to Section 12a of Act 156, Public Acts of 1851 (MSA 5.333(a); MCLA 46.12(a)), as amended, State of Michigan. MERS is regulated under Act 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917.

**Funding Policy**

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's personnel policy. Employees contribute 5% of payroll. The City is required to contribute at an actuarially determined rate.

**Annual Pension Cost**

During the fiscal year ended June 30, 2005, the City's contributions totaling \$63,804 were made in accordance with contribution requirements determined by an actuarial valuation of the plan. The employer contribution rate has been determined based on the entry age normal cost funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Three-Year Trend Information as of December 31 follows:

	<u><b>2004</b></u>	<u><b>2003</b></u>	<u><b>2002</b></u>
Annual Pension Cost	\$58,752	\$52,794	\$46,089
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	0	0	0
Actuarial Value of Assets	613,385	501,463	404,674
Actuarial Accrued Liability	1,239,961	1,109,977	1,043,994
Unfunded AAL	617,576	608,514	639,320
Funded Ration	50%	45%	39%
Covered Payroll	389,881	354,468	334,194
UAAL as a Percentage of Covered Payroll	158%	172%	191%

**City of Leslie**  
Notes to Financial Statements

**10. Segment Information – Enterprise Funds**

The government issued revenue bonds to finance certain improvements to its water and sewer distribution and treatment systems. Because the Water and Sewer Fund, which is an individual fund that accounts entirely for the government's water distribution and treatment and sewage disposal and treatment activities, is reported as a major fund in the fund financial statements, segment disclosures herein are not required.

**11. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2005, the City carried commercial insurance to cover all risks of losses. The City has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

## **Required Supplemental Information**



**City of Leslie**  
Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Budget to Actual  
General Fund  
Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		
	<u>Original</u>	<u>Final</u>	<u>Actual</u>
<b>Revenues:</b>			
Taxes	\$ 443,500	\$ 475,450	\$ 482,408
Licenses and permits	250	250	537
Intergovernmental	295,000	310,227	305,497
Charges for services	16,000	21,000	26,724
Other	59,500	61,500	53,437
Reimbursements	56,850	59,100	67,345
Contributions	27,000	27,000	44,000
Total revenues	<u>898,100</u>	<u>954,527</u>	<u>979,948</u>
<b>Expenditures:</b>			
General government:			
Council	19,360	16,860	9,949
Administrative	75,376	80,201	71,640
Assessor	17,200	18,900	18,889
Attorney	8,000	9,825	9,824
Clerk	70,640	73,295	72,422
Treasurer	68,000	70,892	69,126
Board of review	340	595	407
City hall	61,970	56,120	43,198
Library	2,450	2,450	924
Cemetery	76,400	79,100	77,793
Other	<u>58,735</u>	<u>68,217</u>	<u>54,105</u>
Total general government	<u>458,471</u>	<u>476,455</u>	<u>428,277</u>
Public safety:			
Police	263,185	265,175	258,916
Fire	<u>68,554</u>	<u>104,631</u>	<u>91,821</u>
Total public safety	<u>331,739</u>	<u>369,806</u>	<u>350,737</u>
Highways, streets and transportation:			
Street lights	32,000	32,000	30,293
Sidewalks	10,700	7,700	3,439
Public works department	<u>70,500</u>	<u>75,500</u>	<u>74,561</u>
Total highways, streets and transportation	<u>113,200</u>	<u>115,200</u>	<u>108,293</u>
Culture and recreation:			
Pool	38,200	43,500	40,298
Parks	<u>37,700</u>	<u>36,400</u>	<u>30,125</u>
Total culture and recreation	<u>75,900</u>	<u>79,900</u>	<u>70,423</u>

**City of Leslie**  
Statement of Revenues, Expenditures and Changes  
in Fund Balances - Budget to Actual (Continued)  
General Fund  
Year Ended June 30, 2005

	<b>Budgeted Amounts</b>		<b>Actual</b>
	<b>Original</b>	<b>Final</b>	
Total expenditures	\$ 979,310	\$ 1,041,361	\$ 957,730
<b>Revenues Over (Under) Expenditures</b>	(81,210)	(86,834)	22,218
<b>Other Financing Sources (Uses):</b>			
Transfers out	(22,500)	(113,015)	(110,000)
Total other financing sources (uses)	(22,500)	(113,015)	(110,000)
<b>Net Changes in Fund Balances</b>	(103,710)	(199,849)	(87,782)
<b>Fund Balances - Beginning of Year</b>	545,986	487,451	487,451
<b>Fund Balances - End of Year</b>	\$ 442,276	\$ 287,602	\$ 399,669

**City of Leslie**  
Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Budget to Actual  
Major Street Fund  
Year Ended June 30, 2005

	<b>Budgeted Amounts</b>		<b>Actual</b>
	<b>Original</b>	<b>Final</b>	
<b>Revenues:</b>			
Taxes	\$ 2,955	\$ 2,955	\$ 26,960
State grants	116,062	116,062	113,848
Other	6,000	6,000	3,806
Total revenues	<u>125,017</u>	<u>125,017</u>	<u>144,614</u>
<b>Expenditures:</b>			
General government	<u>3,000</u>	<u>3,000</u>	<u>1,771</u>
Highways and streets:			
Maintenance	163,500	163,500	116,968
Traffic	8,900	8,900	4,390
Winter maintenance	<u>16,400</u>	<u>16,400</u>	<u>15,830</u>
Total highways and streets	<u>188,800</u>	<u>188,800</u>	<u>137,188</u>
Total expenditures	<u>191,800</u>	<u>191,800</u>	<u>138,959</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(66,783)</u>	<u>(66,783)</u>	<u>5,655</u>
<b>Other Financing Sources (Uses):</b>			
Transfers out	<u>(29,000)</u>	<u>(29,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(29,000)</u>	<u>(29,000)</u>	<u>-</u>
<b>Net Changes in Fund Balances</b>	<u>(95,783)</u>	<u>(95,783)</u>	<u>5,655</u>
<b>Fund Balances - Beginning of Year</b>	<u>226,194</u>	<u>226,194</u>	<u>226,194</u>
<b>Fund Balances - End of Year</b>	<u>\$ 130,411</u>	<u>\$ 130,411</u>	<u>\$ 231,849</u>

## Other Supplemental Information

**City of Leslie**  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2005

	<b>Special Revenue Funds</b>	<b>Debt Service Funds</b>	<b>2000 Fire Station Construction Fund</b>	<b>Total</b>
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 298,050	\$ 33,427	\$ 24,179	\$ 355,656
Special assessments receivable	-	50,639	-	50,639
Due from other governmental units	6,159	-	-	6,159
Prepaid expenditures	57	-	-	57
Total assets	<u>\$ 304,266</u>	<u>\$ 84,066</u>	<u>\$ 24,179</u>	<u>\$ 412,511</u>
<b><u>Liabilities and Fund Balances</u></b>				
Liabilities:				
Accrued expenditures	\$ 145	\$ -	\$ -	\$ 145
Deferred revenue	-	50,639	-	50,639
Total liabilities	<u>145</u>	<u>50,639</u>	<u>-</u>	<u>50,784</u>
Fund Balances:				
Unreserved:				
Unreserved; undesignated	<u>304,121</u>	<u>33,427</u>	<u>24,179</u>	<u>361,727</u>
Total fund balances	<u>304,121</u>	<u>33,427</u>	<u>24,179</u>	<u>361,727</u>
Total liabilities and fund balances	<u>\$ 304,266</u>	<u>\$ 84,066</u>	<u>\$ 24,179</u>	<u>\$ 412,511</u>

**City of Leslie**  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2005

	Special Revenue Funds	Debt Service Funds	2000 Fire Station Construction Fund	Total
<b>Revenues:</b>				
Taxes	\$ 53,757	\$ 41,486	\$ -	\$ 95,243
Intergovernmental	38,073	-	-	38,073
Charges for services	20,504	-	-	20,504
Miscellaneous	<u>4,571</u>	<u>4,402</u>	<u>42</u>	<u>9,015</u>
Total revenues	<u>116,905</u>	<u>45,888</u>	<u>42</u>	<u>162,835</u>
<b>Expenditures:</b>				
General government	652	-	-	652
Public safety	15,544	-	-	15,544
Highways and streets	152,262	-	-	152,262
Debt service:				
Principal payments	-	93,000	-	93,000
Interest and fiscal charges	-	70,485	-	70,485
Capital outlay	<u>-</u>	<u>-</u>	<u>5,313</u>	<u>5,313</u>
Total expenditures	<u>168,458</u>	<u>163,485</u>	<u>5,313</u>	<u>337,256</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(51,553)</u>	<u>(117,597)</u>	<u>(5,271)</u>	<u>(174,421)</u>
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	<u>150,800</u>	<u>104,054</u>	<u>-</u>	<u>254,854</u>
Total other financing sources (uses)	<u>150,800</u>	<u>104,054</u>	<u>-</u>	<u>254,854</u>
<b>Changes in Fund Balances</b>	99,247	(13,543)	(5,271)	80,433
<b>Fund Balances - Beginning of Year</b>	<u>204,874</u>	<u>46,970</u>	<u>29,450</u>	<u>281,294</u>
<b>Fund Balances - End of Year</b>	<u>\$ 304,121</u>	<u>\$ 33,427</u>	<u>\$ 24,179</u>	<u>\$ 361,727</u>

**City of Leslie**  
Combining Balance Sheet  
Nonmajor Special Revenue Funds  
June 30, 2005

	<u>Local Street Fund</u>	<u>Public Improvement Fund</u>	<u>Building Department Fund</u>	<u>Total</u>
<b><u>Assets</u></b>				
Cash	\$ 106,003	\$ 183,792	\$ 8,255	\$ 298,050
Due from other governmental units	6,159	-	-	6,159
Prepaid expenditures	57	-	-	57
Total assets	<u>\$ 112,219</u>	<u>\$ 183,792</u>	<u>\$ 8,255</u>	<u>\$ 304,266</u>
<b><u>Liabilities and Fund Balances</u></b>				
Liabilities:				
Accrued expenditures	\$ 145	\$ -	\$ -	\$ 145
Fund Balances:				
Unreserved; undesignated	112,074	183,792	8,255	304,121
Total liabilities and fund balances	<u>\$ 112,219</u>	<u>\$ 183,792</u>	<u>\$ 8,255</u>	<u>\$ 304,266</u>

**City of Leslie**  
Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Special Revenue Funds  
Year Ended June 30, 2005

	<b>Local Street Fund</b>	<b>Public Improvement Fund</b>	<b>Building Department Fund</b>	<b>Total</b>
<b>Revenues:</b>				
Taxes	\$ 53,757	\$ -	\$ -	\$ 53,757
Intergovernmental	38,073	-	-	38,073
Charges for services	-	-	20,504	20,504
Miscellaneous	<u>1,883</u>	<u>2,547</u>	<u>141</u>	<u>4,571</u>
Total revenues	<u>93,713</u>	<u>2,547</u>	<u>20,645</u>	<u>116,905</u>
<b>Expenditures:</b>				
General government	652	-	-	652
Public safety	-	-	15,544	15,544
Highways and streets	<u>152,262</u>	<u>-</u>	<u>-</u>	<u>152,262</u>
Total expenditures	<u>152,914</u>	<u>-</u>	<u>15,544</u>	<u>168,458</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(59,201)</u>	<u>2,547</u>	<u>5,101</u>	<u>(51,553)</u>
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	<u>100,000</u>	<u>50,800</u>	<u>-</u>	<u>150,800</u>
Total other financing sources (uses)	<u>100,000</u>	<u>50,800</u>	<u>-</u>	<u>150,800</u>
<b>Net Changes in Fund Balances</b>	40,799	53,347	5,101	99,247
<b>Fund Balances - Beginning of Year</b>	<u>71,275</u>	<u>130,445</u>	<u>3,154</u>	<u>204,874</u>
<b>Fund Balances - End of Year</b>	<u>\$ 112,074</u>	<u>\$ 183,792</u>	<u>\$ 8,255</u>	<u>\$ 304,121</u>



**City of Leslie**  
Statement of Revenues, Expenditures  
and Changes in Fund Balances - Budget to Actual  
Major Street Fund  
Year Ended June 30, 2005  
(With Comparative Actual Amounts for the Year Ended June 30, 2004)

	<u>2005</u>		<u>2004</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>	<u>Actual</u>
<b>Revenues:</b>				
Taxes and special assessments	\$ 2,955	\$ 26,960	\$ 24,005	\$ 3,651
Intergovernmental				
State shared revenue - gas and weight tax	112,116	110,119	(1,997)	114,348
Build Michigan	3,946	3,729	(217)	3,742
Total intergovernmental	116,062	113,848	(2,214)	118,090
Other:				
Interest	6,000	3,806	(2,194)	5,449
Total revenues	125,017	144,614	19,597	127,190
<b>Expenditures:</b>				
General government	3,000	1,771	1,229	1,769
Highways and streets:				
Maintenance:				
Salaries	16,000	13,129	2,871	9,084
Fringe benefits	5,500	5,240	260	4,419
Supplies and materials	14,000	1,012	12,988	1,410
Contracted services	110,000	79,384	30,616	-
Equipment rental	18,000	18,203	(203)	17,621
Total maintenance	163,500	116,968	46,532	32,534
Traffic:				
Salaries	1,800	326	1,474	251
Fringe benefits	600	25	575	19
Supplies and materials	3,000	1,641	1,359	1,461
Contracted services	2,000	939	1,061	927
Equipment rental	1,500	1,459	41	1,326
Total traffic	8,900	4,390	4,510	3,984
Winter Maintenance:				
Salaries	3,000	4,405	(1,405)	2,668
Fringe benefits	900	696	204	506
Supplies and materials	4,000	4,277	(277)	2,660
Equipment rental	8,500	6,452	2,048	8,152
Total winter maintenance	16,400	15,830	570	13,986
Total highways and streets	188,800	137,188	51,612	50,504
Total expenditures	191,800	138,959	52,841	52,273

**City of Leslie**  
Statement of Revenues, Expenditures  
and Changes in Fund Balances - Budget to Actual  
Major Street Fund  
Year Ended June 30, 2005  
(With Comparative Actual Amounts for the Year Ended June 30, 2004)

	2005		2004	
	Budget	Actual	Favorable (Unfavorable)	Actual
Revenues Over (Under) Expenditures	\$ (66,783)	\$ 5,655	\$ 72,438	\$ 74,917
Other Financing Sources (Uses):				
Operating transfers out	(29,000)	-	29,000	(20,000)
Total other financing sources (uses)	(29,000)	-	29,000	(20,000)
Net Changes in Fund Balances	(95,783)	5,655	101,438	54,917
Fund Balances - Beginning of Year	226,194	226,194	-	135,136
Fund Balances - End of Year	\$ 130,411	\$ 231,849	\$ 101,438	\$ 190,053

**City of Leslie**  
Statement of Revenues, Expenditures  
and Changes in Fund Balances - Budget to Actual  
Local Street Fund  
Year Ended June 30, 2005  
(With Comparative Actual Amounts for the Year Ended June 30, 2004)

	<u>2005</u>		<u>2004</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>	<u>Actual</u>
<b>Revenues:</b>				
Taxes and special assessments	\$ 7,753	\$ 53,757	\$ 46,004	\$ 14,287
Intergovernmental:				
State shared revenue - gas and weight tax	38,988	36,827	(2,161)	38,133
Metro Act maintenance fee	-	-	-	6,734
Build Michigan	1,372	1,246	(126)	1,248
Total intergovernmental	40,360	38,073	(2,287)	46,115
Other:				
Interest	1,000	1,883	883	1,133
Total revenues	49,113	93,713	44,600	61,535
<b>Expenditures:</b>				
General government	3,000	652	2,348	2,636
Highways and streets				
Maintenance:				
Salaries	14,000	11,497	2,503	10,134
Fringe benefits	5,000	4,183	817	4,008
Supplies and materials	3,000	1,049	1,951	558
Contracted services	160,000	116,860	43,140	5,534
Equipment rental	10,000	9,413	587	11,252
Total maintenance	192,000	143,002	48,998	31,486
Traffic:				
Salaries	1,000	344	656	187
Fringe benefits	350	26	324	14
Supplies and materials	1,500	168	1,332	603
Equipment rental	1,000	1,065	(65)	1,123
Total traffic	3,850	1,603	2,247	1,927
Winter maintenance:				
Salaries	3,000	1,964	1,036	1,808
Fringe benefits	1,050	510	540	435
Supplies and materials	4,000	1,389	2,611	1,253
Equipment rental	4,000	3,794	206	4,238
Total winter maintenance	12,050	7,657	4,393	7,734
Total highways and streets	207,900	152,262	55,638	41,147
Total expenditures	210,900	152,914	57,986	43,783

**City of Leslie**  
Statement of Revenues, Expenditures  
and Changes in Fund Balances - Budget to Actual  
Local Street Fund  
Year Ended June 30, 2005  
(With Comparative Actual Amounts for the Year Ended June 30, 2004)

	<u>2005</u>		<u>2004</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>	<u>Actual</u>
<b>Revenues Over (Under) Expenditures</b>	\$ (161,787)	\$ (59,201)	\$ 102,586	\$ 17,752
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	<u>129,000</u>	<u>100,000</u>	<u>(29,000)</u>	<u>28,000</u>
Total other financing sources (uses)	<u>129,000</u>	<u>100,000</u>	<u>(29,000)</u>	<u>28,000</u>
<b>Net Changes in Fund Balances</b>	(32,787)	40,799	73,586	45,752
<b>Fund Balances - Beginning of Year</b>	<u>71,275</u>	<u>71,275</u>	<u>-</u>	<u>25,523</u>
<b>Fund Balances - End of Year</b>	<u>\$ 38,488</u>	<u>\$ 112,074</u>	<u>\$ 73,586</u>	<u>\$ 71,275</u>

**City of Leslie**  
Combining Balance Sheet  
Nonmajor Debt Service Funds  
June 30, 2005

	General Obligation	Street Obligation				
		Streetscape	Sherman	Streetscape	Streetscape	
	2002 Debt	2000 Debt	Debt	1994 Debt	LDFA	
	Fund	Fund	Fund	Fund	1994 Debt	Total
	Fund	Fund	Fund	Fund	Fund	
<b><u>Assets</u></b>						
Cash and cash equivalents	\$ 10,031	\$ 8,685	\$ 10,939	\$ 3,772	\$ -	\$ 33,427
Special assessments receivable	-	16,564	21,381	12,694	-	50,639
Total assets	<u>\$ 10,031</u>	<u>\$ 25,249</u>	<u>\$ 32,320</u>	<u>\$ 16,466</u>	<u>\$ -</u>	<u>\$ 84,066</u>
<b><u>Liabilities and Fund Balances</u></b>						
Liabilities:						
Deferred revenue	\$ -	\$ 16,564	\$ 21,381	\$ 12,694	\$ -	50,639
Fund Balances:						
Unreserved; undesignated	10,031	8,685	10,939	3,772	-	33,427
Total liabilities and fund balances	<u>\$ 10,031</u>	<u>\$ 25,249</u>	<u>\$ 32,320</u>	<u>\$ 16,466</u>	<u>\$ -</u>	<u>\$ 84,066</u>

**City of Leslie**  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Nonmajor Debt Service Funds  
Year Ended June 30, 2005

	General Obligation	Street Obligation				
		Streetscape	Sherman	Streetscape	Streetscape	
	2002 Debt	2000 Debt	Debt	1994 Debt	LDFA	
	Fund	Fund	Fund	Fund	1994 Debt	Total
	Fund	Fund	Fund	Fund	Fund	
Revenues:						
Taxes	\$ 27,022	\$ 2,371	\$ 5,677	\$ 6,416	\$ -	\$ 41,486
Other	13	1,319	1,890	1,180	-	4,402
Total revenues	27,035	3,690	7,567	7,596	-	45,888
Expenditures:						
Principal payments	10,000	13,000	5,000	15,000	50,000	93,000
Interest	12,515	14,269	2,194	2,329	37,090	68,397
Other	275	550	275	463	525	2,088
Total expenditures	22,790	27,819	7,469	17,792	87,615	163,485
Revenues Over (Under) Expenditures	4,245	(24,129)	98	(10,196)	(87,615)	(117,597)
Other Financing Sources (Uses):						
Operating transfers in	-	16,439	-	-	87,615	104,054
Total other financing sources (uses)	-	16,439	-	-	87,615	104,054
Net Changes in Fund Balances	4,245	(7,690)	98	(10,196)	-	(13,543)
Fund Balances - Beginning of Year	5,786	16,375	10,841	13,968	-	46,970
Fund Balances - End of Year	\$ 10,031	\$ 8,685	\$ 10,939	\$ 3,772	\$ -	\$ 33,427

**City of Leslie**  
Statement of Revenues, Expenditures and  
Changes in Fund Balances - Budget to Actual  
General Fund  
Year Ended June 30, 2005  
(With Comparative Actual Amounts for the Year Ended June 30, 2004)

	<u>2005</u>		<u>2004</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>	<u>Actual</u>
<b>Revenues:</b>				
<b>Taxes:</b>				
Current property taxes	\$ 475,000	\$ 481,841	\$ 6,841	\$ 471,912
Trailer tax	450	567	117	418
Total taxes	<u>475,450</u>	<u>482,408</u>	<u>6,958</u>	<u>472,330</u>
<b>Licenses and permits:</b>				
Business licenses and permits	<u>250</u>	<u>537</u>	<u>287</u>	<u>845</u>
<b>Intergovernmental:</b>				
State shared revenue	274,000	269,270	(4,730)	273,290
Other State grants	-	-	-	13,416
Federal revenue	<u>36,227</u>	<u>36,227</u>	<u>-</u>	<u>-</u>
Total intergovernmental	<u>310,227</u>	<u>305,497</u>	<u>(4,730)</u>	<u>286,706</u>
<b>Charges for services:</b>				
Collection fees	<u>21,000</u>	<u>26,724</u>	<u>5,724</u>	<u>24,910</u>
<b>Other:</b>				
Interest	18,000	7,965	(10,035)	16,535
Cable television franchise fee	11,000	9,591	(1,409)	10,130
Pool donations	15,000	20,530	5,530	14,326
Other	<u>17,500</u>	<u>15,351</u>	<u>(2,149)</u>	<u>14,714</u>
Total other	<u>61,500</u>	<u>53,437</u>	<u>(8,063)</u>	<u>55,705</u>
<b>Reimbursements:</b>				
Woodland Cemetery	<u>59,100</u>	<u>67,345</u>	<u>8,245</u>	<u>51,857</u>
Total reimbursements	<u>59,100</u>	<u>67,345</u>	<u>8,245</u>	<u>51,857</u>
<b>Contributions:</b>				
DDA administration contribution	5,000	5,000	-	5,000
EDC administration contribution	5,000	5,000	-	5,000
LDFA administration contribution	15,000	30,000	15,000	15,000
LDFA contribution to fire department	<u>2,000</u>	<u>4,000</u>	<u>2,000</u>	<u>2,000</u>
Total contributions	<u>27,000</u>	<u>44,000</u>	<u>17,000</u>	<u>27,000</u>
Total revenues	<u>954,527</u>	<u>979,948</u>	<u>25,421</u>	<u>919,353</u>

**City of Leslie**  
Statement of Revenues, Expenditures and  
Changes in Fund Balances - Budget to Actual  
General Fund  
Year Ended June 30, 2005  
(With Comparative Actual Amounts for the Year Ended June 30, 2004)

	<b>2005</b>		<b>2004</b>	
	<b>Budget</b>	<b>Actual</b>	<b>Favorable (Unfavorable)</b>	<b>Actual</b>
<b>Expenditures:</b>				
<b>General government:</b>				
Council				
Salaries	\$ 11,850	\$ 7,905	\$ 3,945	\$ 12,275
Fringe benefits	910	797	113	747
Other	<u>4,100</u>	<u>1,247</u>	<u>2,853</u>	<u>3,569</u>
Total council	<u>16,860</u>	<u>9,949</u>	<u>6,911</u>	<u>16,591</u>
Administrative				
Salaries	46,376	49,152	(2,776)	48,289
Fringe benefits	30,325	19,878	10,447	29,629
Other	<u>3,500</u>	<u>2,610</u>	<u>890</u>	<u>2,639</u>
Total administrative	<u>80,201</u>	<u>71,640</u>	<u>8,561</u>	<u>80,557</u>
Assessor				
Contracted services	16,800	16,816	(16)	16,475
Other	<u>2,100</u>	<u>2,073</u>	<u>27</u>	<u>805</u>
Total assessor	<u>18,900</u>	<u>18,889</u>	<u>11</u>	<u>17,280</u>
Attorney	<u>9,825</u>	<u>9,824</u>	<u>1</u>	<u>5,108</u>
Clerk				
Salaries	45,885	46,849	(964)	45,721
Fringe benefits	26,810	24,878	1,932	25,799
Other	<u>600</u>	<u>695</u>	<u>(95)</u>	<u>362</u>
Total clerk	<u>73,295</u>	<u>72,422</u>	<u>873</u>	<u>71,882</u>
Treasurer				
Salaries	53,792	51,866	1,926	52,457
Fringe benefits	15,000	14,405	595	15,273
Other	<u>2,100</u>	<u>2,855</u>	<u>(755)</u>	<u>1,379</u>
Total treasurer	<u>70,892</u>	<u>69,126</u>	<u>1,766</u>	<u>69,109</u>
Board of review				
Salaries	550	378	172	308
Fringe benefits	<u>45</u>	<u>29</u>	<u>16</u>	<u>24</u>
Total board of review	<u>595</u>	<u>407</u>	<u>188</u>	<u>332</u>



**City of Leslie**  
Statement of Revenues, Expenditures and  
Changes in Fund Balances - Budget to Actual  
General Fund  
Year Ended June 30, 2005  
(With Comparative Actual Amounts for the Year Ended June 30, 2004)

	2005		2004	
	Budget	Actual	Favorable (Unfavorable)	Actual
<b>Expenditures (continued)</b>				
<b>General government (continued)</b>				
City Hall				
Salaries	\$ 1,500	\$ 387	\$ 1,113	4,610
Fringe benefits	120	30	90	353
Supplies	8,000	10,073	(2,073)	9,063
Contracted services	14,000	14,255	(255)	8,971
Insurance	900	593	307	561
Utilities	9,000	8,073	927	8,517
Maintenance	4,000	1,277	2,723	14,544
Other	3,600	1,812	1,788	3,857
Capital outlay	<u>15,000</u>	<u>6,698</u>	<u>8,302</u>	<u>17,841</u>
Total city hall	<u>56,120</u>	<u>43,198</u>	<u>12,922</u>	<u>68,317</u>
Library				
Salaries	1,000	227	773	76
Fringe benefits	50	17	33	6
Contracted services	500	48	452	25
Maintenance	300	206	94	147
Insurance	<u>600</u>	<u>426</u>	<u>174</u>	<u>535</u>
Total library	<u>2,450</u>	<u>924</u>	<u>1,526</u>	<u>789</u>
Cemetery				
Salaries	43,500	43,774	(274)	40,335
Fringe benefits	15,600	14,021	1,579	14,260
Insurance	-	(2)	2	119
Contributions	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>21,569</u>
Total cemetery	<u>79,100</u>	<u>77,793</u>	<u>1,307</u>	<u>76,283</u>
Other				
Elections	7,200	5,584	1,616	3,193
Supplies	600	-	600	644
Contracted services	500	475	25	286
Insurance and bonds	15,000	13,708	1,292	10,219
Other	<u>44,917</u>	<u>34,338</u>	<u>10,579</u>	<u>33,416</u>
Total other	<u>68,217</u>	<u>54,105</u>	<u>14,112</u>	<u>47,758</u>
Total general government	<u>476,455</u>	<u>428,277</u>	<u>48,178</u>	<u>454,006</u>

**City of Leslie**  
Statement of Revenues, Expenditures and  
Changes in Fund Balances - Budget to Actual  
General Fund  
Year Ended June 30, 2005  
(With Comparative Actual Amounts for the Year Ended June 30, 2004)

	<u>2005</u>		<u>2004</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>	<u>Actual</u>
<b>Expenditures (continued)</b>				
<b>Public safety:</b>				
Police				
Salaries	\$ 152,800	\$ 149,637	\$ 3,163	\$ 164,936
Fringe benefits	52,575	51,969	606	43,667
Gas and oil	3,500	3,489	11	4,910
Supplies	5,300	4,641	659	5,448
Contracted services	6,700	6,704	(4)	6,844
Insurance	8,400	8,472	(72)	6,526
Utilities	10,000	10,006	(6)	10,710
Maintenance	4,000	2,426	1,574	3,017
Equipment rental	15,000	15,000	-	15,000
Other	500	175	325	488
Legal	<u>6,400</u>	<u>6,397</u>	<u>3</u>	<u>6,533</u>
Total police	<u>265,175</u>	<u>258,916</u>	<u>6,259</u>	<u>268,079</u>
Fire				
Salaries	19,000	16,257	2,743	16,533
Fringe benefits	1,482	1,244	238	1,265
Supplies	8,150	4,483	3,667	2,868
Contracted services	2,000	(597)	2,597	549
Insurance	4,000	3,414	586	3,244
Utilities	4,000	4,784	(784)	4,665
Maintenance	3,500	4,521	(1,021)	1,356
Equipment rental	15,000	15,000	-	15,000
Other	14,167	11,728	2,439	7,081
Capital outlay	<u>33,332</u>	<u>30,987</u>	<u>2,345</u>	<u>425</u>
Total fire	<u>104,631</u>	<u>91,821</u>	<u>12,810</u>	<u>52,986</u>
Total public safety	<u>369,806</u>	<u>350,737</u>	<u>19,069</u>	<u>321,065</u>
<b>Highways, streets and transportation:</b>				
Street lights				
Utilities	<u>32,000</u>	<u>30,293</u>	<u>1,707</u>	<u>32,103</u>

**City of Leslie**  
Statement of Revenues, Expenditures and  
Changes in Fund Balances - Budget to Actual  
General Fund  
Year Ended June 30, 2005  
(With Comparative Actual Amounts for the Year Ended June 30, 2004)

	<u>2005</u>		<u>2004</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>	<u>Actual</u>
<b>Expenditures (continued)</b>				
<b>Highways, streets and transportation (continued)</b>				
Sidewalks				
Salaries	\$ 2,500	\$ 1,468	\$ 1,032	\$ 1,169
Fringe benefits	200	156	44	89
Equipment rental	3,000	1,815	1,185	1,944
Contracted services	<u>2,000</u>	<u>-</u>	<u>2,000</u>	<u>2,430</u>
Total sidewalks	<u>7,700</u>	<u>3,439</u>	<u>4,261</u>	<u>5,632</u>
Public Works Department				
Salaries	29,000	32,336	(3,336)	36,421
Fringe benefits	10,000	10,070	(70)	9,326
Materials and supplies	3,000	3,996	(996)	3,387
Contracted services	4,000	2,882	1,118	2,747
Insurance	6,000	3,957	2,043	3,735
Utilities	7,000	7,164	(164)	7,506
Maintenance	7,500	8,047	(547)	8,312
Attorney fees	1,000	37	963	149
Gas and oil	6,500	5,800	700	5,996
Capital outlay	<u>1,500</u>	<u>272</u>	<u>1,228</u>	<u>118</u>
Total public works department	<u>75,500</u>	<u>74,561</u>	<u>939</u>	<u>77,697</u>
Total highways, streets and transportation	<u>115,200</u>	<u>108,293</u>	<u>6,907</u>	<u>115,432</u>
<b>Culture and recreation:</b>				
Pool				
Salaries	25,000	24,287	713	26,115
Fringe benefits	1,800	1,920	(120)	1,676
Supplies	8,100	6,777	1,323	6,197
Other	1,600	1,379	221	2,027
Utilities	3,500	3,017	483	2,972
Maintenance	500	834	(334)	547
Insurance	1,500	1,258	242	1,148
Capital outlay	<u>1,500</u>	<u>826</u>	<u>674</u>	<u>1,568</u>
Total pool	<u>43,500</u>	<u>40,298</u>	<u>3,202</u>	<u>42,250</u>

**City of Leslie**  
Statement of Revenues, Expenditures and  
Changes in Fund Balances - Budget to Actual  
General Fund  
Year Ended June 30, 2005  
(With Comparative Actual Amounts for the Year Ended June 30, 2004)

	<u>2005</u>		<u>2004</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>	<u>Actual</u>
<b>Expenditures (continued)</b>				
<b>Culture and recreation (continued)</b>				
Parks				
Salaries	\$ 12,000	\$ 11,135	\$ 865	\$ 10,676
Fringe benefits	3,450	2,421	1,029	2,266
Contracted services	2,000	2,313	(313)	2,151
Supplies	1,500	611	889	799
Insurance	650	714	(64)	776
Utilities	1,500	956	544	1,219
Other	13,500	11,142	2,358	11,990
Capital outlay	<u>1,800</u>	<u>833</u>	<u>967</u>	<u>1,758</u>
Total parks	<u>36,400</u>	<u>30,125</u>	<u>6,275</u>	<u>31,635</u>
Total culture and recreation	<u>79,900</u>	<u>70,423</u>	<u>9,477</u>	<u>73,885</u>
Total expenditures	<u>1,041,361</u>	<u>957,730</u>	<u>83,631</u>	<u>964,388</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(86,834)</u>	<u>22,218</u>	<u>109,052</u>	<u>(45,035)</u>
<b>Other Financing Sources (Uses):</b>				
Operating transfers (out)	<u>(113,015)</u>	<u>(110,000)</u>	<u>3,015</u>	<u>(13,500)</u>
Total other financing sources (uses)	<u>(113,015)</u>	<u>(110,000)</u>	<u>3,015</u>	<u>(13,500)</u>
<b>Net Changes in Fund Balances</b>	<u>(199,849)</u>	<u>(87,782)</u>	<u>112,067</u>	<u>(58,535)</u>
<b>Fund Balances - Beginning of Year</b>	<u>487,451</u>	<u>487,451</u>	<u>-</u>	<u>545,986</u>
<b>Fund Balances - End of Year</b>	<u>\$ 287,602</u>	<u>\$ 399,669</u>	<u>\$ 112,067</u>	<u>\$ 487,451</u>

**City of Leslie**  
Schedule of Bonded Indebtedness  
June 30, 2005

**General Obligations - Unlimited Tax Bonds**

**Series 1994 - 1**

Purpose: Construction of addition and improvements on the sanitary sewer system

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>6/30/2004</u>	<u>6/30/2005</u>	<u>Interest Payable</u>
December 21, 1994	\$ 495,000					
		6.30%	5/1/2005	\$ 25,000		
		6.65%	5/1/2006	30,000	\$ 30,000	\$ 19,703
		6.65%	5/1/2007	30,000	30,000	17,708
		6.65%	5/1/2008	30,000	30,000	15,713
		6.65%	5/1/2009	35,000	35,000	13,718
		6.70%	5/1/2010	40,000	40,000	11,390
		6.70%	5/1/2011	40,000	40,000	8,710
		6.70%	5/1/2012	45,000	45,000	6,030
		6.70%	5/1/2013	45,000	45,000	1,508
				<u>\$ 320,000</u>	<u>\$ 295,000</u>	<u>\$ 94,480</u>

**General Obligations - Unlimited Tax Bonds**

**Series 1994 - 2**

Purpose: Construction of addition and improvements on the sanitary sewer system

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>6/30/2004</u>	<u>6/30/2005</u>	<u>Interest Payable</u>
August 23, 1994	\$ 530,000					
		5.60%	5/1/2005	\$ 25,000		
		5.70%	5/1/2006	25,000	\$ 25,000	\$ 14,413
		5.80%	5/1/2007	25,000	25,000	12,988
		5.90%	5/1/2008	30,000	30,000	11,538
		6.00%	5/1/2009	30,000	30,000	9,768
		6.05%	5/1/2010	30,000	30,000	7,968
		6.10%	5/1/2011	30,000	30,000	6,153
		6.15%	5/1/2012	35,000	35,000	4,323
		6.20%	5/1/2013	35,000	35,000	2,170
				<u>\$ 265,000</u>	<u>\$ 240,000</u>	<u>\$ 69,321</u>

**City of Leslie**  
Schedule of Bonded Indebtedness  
June 30, 2005

**Street Obligation - Limited Tax Bonds**  
**Series 1994 - 3**

Purpose: Reconstruction of Mill Street

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>6/30/2004</u>	<u>6/30/2005</u>	<u>Interest Payable</u>
August 23, 1994	\$ 180,000					
		5.35%	10/1/2004	\$ 15,000		
		5.45%	10/1/2005	15,000	\$ 15,000	\$ 1,519
		5.55%	10/1/2006	20,000	20,000	555
				<u>\$ 50,000</u>	<u>\$ 35,000</u>	<u>\$ 2,074</u>

**1997 Michigan Transportation Fund Bonds**  
**Purpose: Reconstruction of Bellevue Street**

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>6/30/2004</u>	<u>6/30/2005</u>	<u>Interest Payable</u>
June 12, 1997	\$ 250,000					
		5.00%	11/1/2004	\$ 15,000		
		5.00%	11/1/2005	15,000	\$ 15,000	\$ 7,250
		5.00%	11/1/2006	20,000	20,000	6,500
		5.00%	11/1/2007	20,000	20,000	5,500
		5.00%	11/1/2008	20,000	20,000	4,500
		5.00%	11/1/2009	20,000	20,000	3,500
		5.00%	11/1/2010	25,000	25,000	2,500
		5.00%	11/1/2011	25,000	25,000	1,250
				<u>\$ 160,000</u>	<u>\$ 145,000</u>	<u>\$ 31,000</u>

**General Obligation Bonds**  
**Series 1997A**

Purpose: Reconstruction of Bellevue Street

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>6/30/2004</u>	<u>6/30/2005</u>	<u>Interest Payable</u>
June 12, 1997	\$ 285,000					
		5.10%	11/1/2004	\$ 15,000		
		5.20%	11/1/2005	20,000	\$ 20,000	\$ 9,535
		5.30%	11/1/2006	20,000	20,000	8,485
		5.35%	11/1/2007	20,000	20,000	7,420
		5.40%	11/1/2008	20,000	20,000	6,345
		5.45%	11/1/2009	25,000	25,000	5,124
		5.50%	11/1/2010	25,000	25,000	3,755
		5.55%	11/1/2011	25,000	25,000	2,374
		5.60%	11/1/2012	30,000	30,000	840
				<u>\$ 200,000</u>	<u>\$ 185,000</u>	<u>\$ 43,878</u>

**City of Leslie**  
Schedule of Bonded Indebtedness  
June 30, 2005

**Special Assessment Bonds**

**Series 1997A**

Purpose: Reconstruction of Bellevue Street

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>6/30/2004</u>	<u>6/30/2005</u>	<u>Interest Payable</u>
June 12, 1997	\$ 285,000					
		5.10%	11/1/2004	\$ 20,000		
		5.20%	11/1/2005	20,000	\$ 20,000	\$ 7,295
		5.30%	11/1/2006	25,000	25,000	6,113
		5.35%	11/1/2007	20,000	20,000	4,915
		5.40%	11/1/2008	20,000	20,000	3,840
		5.45%	11/1/2009	20,000	20,000	2,755
		5.50%	11/1/2010	20,000	20,000	1,660
		5.55%	11/1/2011	20,000	20,000	555
				<u>\$ 165,000</u>	<u>\$ 145,000</u>	<u>\$ 27,133</u>

**Special Assessment Bonds**

**Series 1998**

Purpose: Reconstruction of East Bellevue Street

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>6/30/2004</u>	<u>6/30/2005</u>	<u>Interest Payable</u>
August 6, 1998	\$ 170,000					
		4.40%	11/1/2004	\$ 10,000		
		4.45%	11/1/2005	10,000	\$ 10,000	\$ 4,903
		4.50%	11/1/2006	10,000	10,000	4,455
		4.55%	11/1/2007	15,000	15,000	3,889
		4.65%	11/1/2008	15,000	15,000	3,199
		4.70%	11/1/2009	15,000	15,000	2,498
		4.75%	11/1/2010	15,000	15,000	1,789
		4.75%	11/1/2011	15,000	15,000	1,076
		4.80%	11/1/2012	15,000	15,000	360
				<u>\$ 120,000</u>	<u>\$ 110,000</u>	<u>\$ 22,169</u>

**City of Leslie**  
Schedule of Bonded Indebtedness  
June 30, 2005

**General Obligation Bonds**

**Series 1998**

Purpose: Reconstruction of East Bellevue Street

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>6/30/2004</u>	<u>6/30/2005</u>	<u>Interest Payable</u>
August 6, 1998	\$ 75,000					
		4.40%	11/1/2004	\$ 5,000		
		4.45%	11/1/2005	5,000	\$ 5,000	\$ 1,986
		4.50%	11/1/2006	5,000	5,000	1,763
		4.55%	11/1/2007	5,000	5,000	1,536
		4.65%	11/1/2008	5,000	5,000	1,306
		4.70%	11/1/2009	5,000	5,000	1,073
		4.75%	11/1/2010	5,000	5,000	836
		4.75%	11/1/2011	5,000	5,000	599
		4.80%	11/1/2012	10,000	10,000	240
				<u>\$ 50,000</u>	<u>\$ 45,000</u>	<u>\$ 9,339</u>

**Special Assessment Bonds**

**Series 2000B**

Purpose: Reconstruction of North Sherman Street

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>6/30/2004</u>	<u>6/30/2005</u>	<u>Interest Payable</u>
August 8, 2000	\$ 53,000					
		5.85%	11/1/2004	\$ 5,000		
		5.85%	11/1/2005	5,000	\$ 5,000	\$ 1,901
		5.85%	11/1/2006	5,000	5,000	1,609
		5.85%	11/1/2007	5,000	5,000	1,316
		5.85%	11/1/2008	5,000	5,000	1,024
		5.85%	11/1/2009	5,000	5,000	731
		5.85%	11/1/2010	5,000	5,000	439
		5.85%	11/1/2011	5,000	5,000	146
				<u>\$ 40,000</u>	<u>\$ 35,000</u>	<u>\$ 7,166</u>



**City of Leslie**  
Schedule of Bonded Indebtedness  
June 30, 2005

**Special Assessment Bonds**  
**Series 2000A**

Purpose: Reconstruction of South Main Street

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>6/30/2004</u>	<u>6/30/2005</u>	<u>Interest Payable</u>
August 8, 2000	\$ 39,000					
		5.85%	11/1/2004	\$ 3,000		
		5.85%	11/1/2005	3,000	\$ 3,000	\$ 1,492
		5.85%	11/1/2006	4,000	4,000	1,287
		5.85%	11/1/2007	4,000	4,000	1,053
		5.85%	11/1/2008	4,000	4,000	819
		5.85%	11/1/2009	4,000	4,000	585
		5.85%	11/1/2010	4,000	4,000	351
		5.85%	11/1/2011	4,000	4,000	117
				<u>\$ 30,000</u>	<u>\$ 27,000</u>	<u>\$ 5,704</u>

**General Obligation Bonds**  
**Series 2000A**

Purpose: Reconstruction of South Main Street

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>6/30/2004</u>	<u>6/30/2005</u>	<u>Interest Payable</u>
August 1, 2000	\$ 250,000					
		5.50%	5/1/2005	\$ 10,000		
		5.50%	5/1/2006	10,000	\$ 10,000	\$ 12,053
		5.50%	5/1/2007	15,000	15,000	11,503
		5.50%	5/1/2008	15,000	15,000	10,678
		5.50%	5/1/2009	15,000	15,000	9,853
		5.50%	5/1/2010	15,000	15,000	9,028
		5.30%	5/1/2011	20,000	20,000	8,233
		5.35%	5/1/2012	20,000	20,000	7,163
		5.40%	5/1/2013	25,000	25,000	6,083
		5.45%	5/1/2014	25,000	25,000	4,720
		5.50%	5/1/2015	30,000	30,000	3,345
		5.60%	5/1/2016	30,000	30,000	1,680
				<u>\$ 230,000</u>	<u>\$ 220,000</u>	<u>\$ 84,339</u>

**City of Leslie**  
Schedule of Bonded Indebtedness  
June 30, 2005

**General Obligation**

**Series 2002**

Purpose: Constructing, furnishing and equipping City share of fire station

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>6/30/2004</u>	<u>6/30/2005</u>	<u>Interest Payable</u>
January 1, 2002	\$ 300,000					
		7.00%	10/1/2004	\$ 10,000		
		4.25%	10/1/2005	15,000	\$ 15,000	\$ 11,846
		3.55%	10/1/2006	15,000	15,000	11,261
		3.90%	10/1/2007	15,000	15,000	10,703
		4.10%	10/1/2008	20,000	20,000	10,000
		4.25%	10/1/2009	20,000	20,000	9,165
		4.40%	10/1/2010	20,000	20,000	8,300
		4.50%	10/1/2011	25,000	25,000	7,298
		4.60%	10/1/2012	25,000	25,000	6,160
		4.70%	10/1/2013	25,000	25,000	4,998
		4.80%	10/1/2004	30,000	30,000	3,690
		4.90%	10/1/2015	30,000	30,000	2,235
		5.00%	10/1/2016	30,000	30,000	750
				<u>\$ 280,000</u>	<u>\$ 270,000</u>	<u>\$ 86,406</u>

**City of Leslie**  
Schedule of Bonded Indebtedness  
June 30, 2005

**Water Supply System Revenue Bonds**

**Series 1991**

Purpose: Construction of elevated water storage tank and related equipment

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>6/30/2004</u>	<u>6/30/2005</u>	<u>Interest Payable</u>
October 1, 1991	\$ 700,000					
		4.40%	7/1/2005	\$ 40,000		
		4.45%	7/1/2006	40,000	\$ 40,000	\$ 17,423
		4.50%	7/1/2007	45,000	45,000	15,343
		4.55%	7/1/2008	50,000	50,000	13,243
		4.65%	7/1/2009	55,000	55,000	10,858
		4.70%	7/1/2010	55,000	55,000	8,450
		4.75%	7/1/2011	60,000	60,000	5,750
		4.80%	7/1/2012	65,000	65,000	3,025
				<u>\$ 410,000</u>	<u>\$ 370,000</u>	<u>\$ 74,092</u>

**Sewage Disposal and Water Supply System Number 1 Bonds**

**Series 1997**

Purpose: Acquire, construct and equip sewer and water system improvements

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>6/30/2004</u>	<u>6/30/2005</u>	<u>Interest Payable</u>
May 1, 1997	\$ 575,000					
		5.10%	5/1/2005	\$ 40,000		
		5.20%	5/1/2006	40,000	\$ 40,000	\$ 24,983
		5.25%	5/1/2007	40,000	40,000	22,343
		5.30%	5/1/2008	45,000	45,000	19,328
		5.35%	5/1/2009	45,000	45,000	15,953
		5.40%	5/1/2010	50,000	50,000	12,240
		5.45%	5/1/2011	50,000	50,000	8,500
		5.50%	5/1/2012	55,000	55,000	4,420
				<u>\$ 365,000</u>	<u>\$ 325,000</u>	<u>\$ 107,767</u>



August 24, 2005

Members of City Council  
City of Leslie  
Leslie, Michigan

We have audited the financial statements of the City of Leslie for the year ended June 30, 2005, and have issued our report thereon dated August 24, 2005.

Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of the City. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and no other applications of existing policies were changed during the current year. We noted no transactions entered into by the City during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

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**WILLIS & JURASEK, P.C.**

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#### Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no material estimates recorded during the current year.

#### Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the City's financial reporting process (that is, cause future financial statements to be materially misstated). There were no significant audit adjustments recorded at year-end.

#### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### Issues Discussed Prior to Retention of Independent Auditors

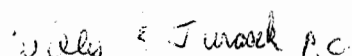
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information and the attached memorandum is intended solely for the use of the City Council and management of the City and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Willis & Jurasek, P.C.

## **Comments and Recommendations**

### **Comprehensive Annual Report and Certificate of Achievement for Excellence in Financial Reporting**

We would recommend the City consider revamping the financial statement reporting for the audit report and try to receive the Certificate of Achievement for Excellence in Financial Reporting issued by the Government Finance Officers Association. This would require a little more reporting in some areas; specifically a statistical section would be added to the end of the report. Most of the information needed you would already have. We can provide guidance in meeting the requirements for this reporting.

### **Funds Maintained Manually**

The City still has several of the smaller funds that it maintains with manual ledger systems. While the funds are small in nature and do not involve a lot of ledger activity, we would still recommend that all funds be set up and accounted for on your governmental software package used by the City. While it is not imperative that it be done, we feel certain reporting may be strengthened by incorporating all funds in your general ledger package.

### **Fund Balance – General Fund**

The fund balance for the General Fund decreased (\$87,782) this year, leaving a fund balance at June 30, 2005 of \$399,669. As a percentage of annual revenue your fund balance is at 41%.

Given the situation with lowering revenue sharing from the State, the decline in fund balance this year was not unexpected. It is the second year of declining fund balance. Your current fund balance remains healthy at this point. However, with the continued expected decline in revenue, fund balance may continue to slip.